

RESTRICTED**The Tokyo Agreements of May 6, 1941**

The first Japanese demands had been presented at Hanoi on July 30, 1940, by the Consul General and General Mishihara directing the Japanese mission in Indo-China. They sought to obtain equality of treatment for French and Japanese business. These claims were transmitted to the Vichy government which, after meeting with the Japanese ambassador to France, signed the agreement of August 30, 1940 admitting that facilities of an economic nature could be granted to Japanese enterprises and providing for the opening of negotiations to that effect.

From that time, the General Government had been preoccupied with assuring to French companies an efficacious protection against the encroachments of Japanese companies. At the same time that it was luring maritime and commercial relations with the Anglo-Saxon countries, it created a commission, presided over by the Director of Finances, for the study of measures of defense for French interests. The latter proposed the creation of professional organizations of a compulsory character for the issuing of import and export authorizations.

The nineteenth of October there debarked at Haiphong a Japanese mission of information, come from Kobe and headed by Ambassador Matsumiya. It had for its purpose the determination of the reciprocal needs of the two countries in the economic field, and demanded the delivery of considerable tonnages of Indochinese products, as well as the assimilation of Japan with France in matters of trade.

The General Government entrenched itself behind the home government and refused to negotiate. It proposed nevertheless the conclusion of temporary agreements. Finally, it was agreed that the working out

RESTRICTED

RESTRICTED

of an economic treaty should be discussed in Tokyo. An Indo-Chinese delegation, composed of experts and headed by Mr. Cousin, Director of Finances, left Saigon December 2, 1940. It was met in Tokyo by a mission from France headed by the former Governor General Robin. Negotiations began at the beginning of 1941. A provisional agreement, valid for the current year, was signed January 20. It had for its object the chief food product in the Far East: rice.

Let us lay stress on this point: the Tokyo agreements were not freely discussed, nor freely agreed to, but during the long months of a frequently wretched discussion, the Indo-China representatives defended step by step their positions and yielded only the minimum except in the case of exports of rice.

Since the beginning of the preliminary discussions, the Japanese had set aside rice, imposed a protocol under threats, and begun to operate at once the first businesses possible (end of January and February). The Mitsui Company (Mitsui Bussan Kaisha) had been designated as the sole purchaser and representative of the Japanese government.

The protocol of January 20 reserved to Japan for 1941 the right to export from the port of Saigon a million tons of white rice (with a theoretic option on behalf of the French territories of 100,000 tons). With regard to the terms of payment, an allowance of credit for one year was provided for. These arrangements resulted in a veritable ultimatum to which Indo-China had to submit even before the opening of discussions.

Japan presented its demands under the pretence of aid and collaboration, declaring itself the only possible purchaser, which was only true

RESTRICTED

RESTRICTED

by setting aside all the others, and the only eventual shipper, which was not untrue, for deliveries were understood to be F. O. B. to the port of Saigon. No one could be mistaken. Indo-China was paying a ransom, and this ransom was in terms of rice.

Laborious conferences succeeded one another for the conclusion of definitive agreements. They resulted in reducing in considerable proportions the original Japanese claims, and these results were expressed in a series of documents signed at Tokyo the sixth of May 1941. These included: 1) A treaty of commerce and navigation relative to French Indo-China. 2) An appended protocol. 3) An agreement relating to the customs system, commercial exchange, and terms of settlement between Indo-China and Japan. 4) The letters exchanged between Governor General Robin and Ambassador Matsuniya.

The first text recognized for the duration of five years, with the fiction of reciprocity, the right of nationals of each of the two countries to reside and set up business in the other. Under the condition that they rigorously abide by the laws, they could, just as nationals, devote themselves to commerce and industry in person, by representatives, or in partnerships to acquire, own or rent property, to dispose of it by sale, exchange or transfer, to benefit by all guarantees as much for their person as for their property, and in particular to enjoy in complete liberty the residing, moving about, defending their interests at law, constructing and owning cultural institutions, founding schools and hospitals or religious institutions. These rights extended to stock companies, commercial companies, or industrial and financial companies, established according to the customary regulations of the two countries. In a general manner the

RESTRICTED

RESTRICTED

agreement admitted, in every case, the nationals of the co-signatory powers to the benefits of the most favored nation clause, and stipulated that they would be treated in each country from an economic point of view on an equal footing with nationals.

The protocol opened to the Japanese in Indochina access to certain professions not open to foreigners, according to a limited listing. It set at a maximum of 50% the proportion of Japanese personnel to be employed in Japanese enterprises already established or to be established in Indo-China. It considered the case of the acquisition of real estate in the favored countries, recognized the right to establish in Indo-China agricultural, mineral or water power concessions, authorized the opening of Japanese language schools for Japanese nationals, and finally expressed various recommendations appropriate to facilitate the carrying out of the agreed on terms.

The customs and commercial treaty applied the minimum tariff to the natural products or manufactured goods issuing from the two countries, to imports as well as to exports. The kinds and the amounts of Indo-Chinese products to be exported to Japan, and vice versa, was to be determined each year by mutual agreement. It was stipulated that the settlements of accounts would be carried out in piasters for Indo-Chinese commercial debts, and in yens for Japanese commercial debts. For this purpose the Bank of Indo-China was to put at the disposal of the Bank of Japan the necessary Indo-Chinese piasters for commercial settlements in return for their equivalent in yens, and vice versa. But it was expressly agreed that the price of conversion between the piaster and the yen would be determined between the two banks on the basis of the value of the two currencies such as it would amount to in their quotation in an equivalent foreign currency convertible into gold.

RESTRICTED

RESTRICTED

Finally, the exchange of letters provided that certain Japanese business houses, whose number was limited to ten, would be authorized to form a part, in Indo-China, of the Federation of Importers, and that the General Government would grant them a third of the value of the importation licences applicable by categories to products of Japanese origin.

At the time these agreements were reached Japan was still in a position of neutrality, although its aspirations to leadership appeared evident, and its sympathies towards the Axis powers were a demonstrated fact. These agreements were the consequence, for one thing, of the structure of Indo-Chinese economy, of its natural relationships with the Far East, and finally of the geographic fact of the isolation of the colony. Truth obliges one to say that the political expediences of the moment intervened in their working out, they were equally the result of the indifference shown by the Anglo-Saxon nations toward the position of Indo-China in spite of the advances which had been made to them by this country.

The agreements, which were going to operate in a unique sense, instituted in favor of Japan a privileged status. Its nationals were admitted to full equality with French residents in economic matters. The agreements placed the foreign trade of Indo-China under the domination of Tokyo. But they permitted the sparing to the native peoples the economic and social consequences of a depression crisis without precedent. Finally, they contained safeguarding clauses on which the authorities of Indo-China could lean for four years.

Until the eighth of December 1941, the date of the unleashing of the Pacific war, Indo-China could thus preserve a certain liberty of action in its relations with the ports of the Far East, particularly

RESTRICTED

RESTRICTED

that of Hongkong, and in its relations with the United States. It was still possible for Indo-China to deliver the larger part of its production of rubber, sold F. O. B. Saigon, to official purchasers of the American government. Payment was agreed on in dollars, and this stipulation sufficed to divert Tokyo.

SUBSEQUENT AGREEMENTS AND THEIR APPLICATION

Article 15 of the customs and commercial treaty provided that each year there should be settled for the following year "the kinds and amounts of products of Indochinese origin to be exported to Japan, and vice versa, as well as the parts of the quota to allot to Japan for the products submitted to apportioning for their duty in Indochina." In application of this article, lists were added to the agreements of May 6, 1941. It prescribed the nature of the proportions of the reciprocal imports and exports. By virtue of these added agreements, our exports to Japan could have amounted in 1941 to over 1,925,000 tons, and imports to over approximately 90,000 tons. These quantities could not be realized. 1,395,528 tons were exported and only 30,017 tons were imported.

Another clause contained in the added protocol stipulated that periodic talks be maintained between representative persons of Japanese and Indochinese economy for suggestions and recommendations to the two governments. Since August 1941, the Japanese government demanded the sending of a commission of experts to study the possibilities of developing the economy of Indochina. In spite of the objections of the General Government, which wished to stick to the letter of the agreements, Vichy accepted the principal of this commission.

RESTRICTED

RESTRICTED

In November 1941, then, there arrived in Indochina a commission of technicians presided over by the minister Yokohama, which covered the agricultural, forestry, mineral, salt producing, water power, etc., sections. It was anticipated that its studies would be carried out in close cooperation with the French authorities and include meetings with French officials in the technical services. These reserves had for their aim to orient the studies in the direction which, safeguarding the position of France, would allow in all cases the General Government to be informed. The aims of the mission were broad and included in fact the improving of Indochina by Japan. It established numerous agreements which advocated invariably the appointment of mixed enterprises. But in December 1941, the unleashing of the Pacific war obliged the Japanese to carry their efforts elsewhere, and these labors had no practical result.

As a set off, an immediate effect of the entry of Japan into the war was the increase of the economic pressure which it brought to bear on Indochina. An agreement signed on the night of December 9, 1941, between the General Government and the Japanese representatives, without consulting the directors of the Economic Services, provided for putting at the disposal of the Japanese the enterprises or industries necessary for prosecuting the war. These arrangements were only applied to railway traffic, but they were afterwards frequently invoked by the Japanese army and commission and used as pretexts for the most diverse demands.

Several days later, December 17, there began at Hanoi between the Economic Services and a Japanese delegation headed by Consul General Sohma, new conversations for the conclusion of commercial agreements

RESTRICTED

RESTRICTED

in 1942, provided for by Article 15 of the treaty of May 6, 1941. These negotiations were particularly labored. The French delegation ended by obtaining the concessions that Japanese imports would correspond to the minimum needs of Indochina, and that the price of rice would be raised 10%. Signatures were exchanged only July 18, 1942. By virtue of these agreements, the actual tonnage exported by Indochina was increased for the year to 1,629,081 tons, and imports to 48,395 tons. The culminating point of Japanese pressure in Indochina can be placed in 1943. August 19 there was signed the annual agreement for commercial exchanges, taking the place of a provisional agreement concluded January 25. We give here a resume of its essential clauses as an example of the agreements reached each year in application of the treaty signed in Tokyo May 6, 1941. The General Government agreed to give up to Japan the whole exportable surplus of the rice and maize crops of the 1942-43 season, namely a minimum quantity of 1,050,000 tons of white rice No. 1 at a price of 134.10 a ton, and at least 250,000 tons of maize at a price of .85 a metric ton F. O. B. Saigon. On the other hand, Japan undertook to furnish materials and products necessary to the factories of Indochina, such as sheet-iron, driving belts, etc., as well as merchandise imperatively necessary to the Indochinese economy, according to lists added to the agreement.

An exchange of letters accompanying this document introduced a modification of the Tokyo agreements by stipulating that the percentage of import licences granted to Japanese business houses would be raised in value from a third to a half. A new reduction was brought to the list of professions banned to foreigners by the authorization of establishment in Indochina given to six Japanese pharmacies. These

RESTRICTED

RESTRICTED

satisfactions preserved the character of minimum concessions and were only retained to set aside more important demands. On its side, Japan promised to facilitate the revictualing of Indochina by favoring commercial exchanges with China, including Kwangtung and Manchuria.

The agreement of January 5, 1944, on the exportation of rice, and that of March 27 concerning maize also bore on the whole of the exportable surplus of the two crops. An exchange of letters accompanying the second document admitted into Indochina prints of motion pictures, books and periodical publications printed in Japan, with the reservation however that they would continue to be submitted to the control of the Indochinese censors. This was a new concession to the letter of the agreements of 1941.

But from 1943 on, Japan experienced serious difficulties for its naval transports. The continual attacks of the allies against its lines of communication prevented it from profiting from the arrangements which delivered to it the Cochinchina rice at an advantageous price. One can, in fact, state that from June 1943 on, the large part of grains exported from Indochina did not reach Japan and were used, besides, in derogation of the Tokyo agreements for revictualing the peoples of the countries of the south which, in the Greater East Asia Co-Prosperity Sphere, had ended by finding themselves in utter destitution.

It is thus that on March 9, 1945, there existed still on the docks of Saigon a stock of 100,000 tons of rice which the Japanese had bought and had not been able to transport. Likewise, of a quota of 202,000 tons of various products other than rice and maize to be transported from Indochina in 1944, the Japanese were able to export commercially only 8,268 tons, of which 8,000 was silicious sand. The functioning

RESTRICTED

RESTRICTED

of the agreements, originally concluded to assure the exporting of surplus products and to procure for Indochina indispensable products, had therefore ended by being practically halted. In 1944 Indochinese exports did not represent more than 14% of those of 1939, as compared to 30% in 1943 and 60% in 1941. Much more rapidly, the imports were becoming insufficient. In 1942 they were in part kept up by Japanese prizes of war taken in Hongkong, the Philippines, Malaysia and the Dutch East Indies. But soon the insolvency of Japanese businesses and maritime transport was revealed in all its fullness. Indochina's imports which in 1942 had represented 11% of those of 1939, fell to 2% in 1944, with 26,000 tons, of which 5,000 only came from Japan.

THE PROTECTION OF INDOCHINESE INTERESTS

The first measures of defense against Japanese encroachments date from the month of August 1940. It has been seen that, from that time on, a commission of experts created by the Governor General had advocated the organization of professional groups for the control of import and export operations. In December 1940, there had been founded the bureau for the sale of rubber and, from the beginning of 1941, various organizations for the defense of French interests were started.

There was at first the Committee for the administration of rice and maize, which had for its aim the supervision of the execution of contracts with Japan, but also the keeping in our hands of the operations of the export of grains. This organization was changed later into the Bureau of Rice and Maize, then into the Committee for Grains. Under the control of the administration, it exercised a monopoly over purchases, transportation, the transformation and the sale of rice, paddies and by-products, as well as maize, in Cochinchina and in Cambodia.

RESTRICTED

RESTRICTED

On divers occasions the Japanese Mission intervened without success with the General Government to have the Mitsui Company admitted into this organization. It brought pressure likewise to obtain in favor of the same firm the control of the ricemills of Cholon. From the end of 1942 the administration had opposed to these maneuvers the need of our factories, and the monopoly of the management stayed entirely in the hands of French houses, grouped in the Committee. The Japanese came to exercise control only over three ricemills, in production on property admittedly the enemy's, placed under embargo, and in fact there was no loss in principal, laid down since 1941, to the defense of Indochinese interests in this sphere, of a primary nature.

The Federation of Importers, organized February 2, 1941, had for its object the keeping of import operations in the houses established in Indochina before 1939, and carrying on their activities during the preceding five years. It had for its purpose the maintaining of the proportions of imports among the French and Japanese enterprises according to the percentages provided in the agreements. It became later the subsection Imports, of the Trade Professional Group, and maintained in an efficient way the defense of the local enterprises.

In the same spirit, the professional groups organized at the end of 1941 were above all convenient methods of defense for French interests. They, also, assured the maintaining of the quotas assigned to the imports of the French and Japanese houses. Originally, a third of the imports coming from Japan had been handled by Japanese firms. It has been seen how this proportion was raised to a half by the exchange of letters of August 19, 1943 between the Governor General and Ambassador Yoshizawa. But from the beginning, the Japanese firms had grouped themselves in

RESTRICTED

RESTRICTED

federation, the Trade Regulation Committee (Boeki Tosei Kai) which later became the Public Welfare Expediting Committee (Koeki Eidan). They deployed all maneuvers to increase their proportion, and it was necessary in every branch of commercial activity to exercise great vigilance in order to maintain respect for the agreements.

It appeared necessary, also, in order to limit the encroachments of the Japanese, to forbid them certain activities by granting the pursuit of these to French businesses. It was thus that there were reserved to these latter the exporting of oil and tin. On the other hand, exports of apatite and certain metallic minerals were left to the Japanese firms, while most of the other products were divided for export in equal proportions between the two commercial groups. But the essential point had been safeguarded by maintaining in our control the exporting of basic products: rice and maize, charcoal and tin. Other arrangements established in favor of French houses the exclusive privilege of trade with countries other than Japan. There were exceptions, within certain limits, only for Shanghai or for special operations.

Certain economic areas had been particularly threatened by Japanese actions. The administration confronted these encroachments by the creation of agencies having for their object the exploitation of exclusive rights. The system consisted in each case, of instituting a monopoly in favor of the French administration, then to entrust its execution under control to a private organization, business or bank created for this purpose. These agencies made it possible to dam up the mounting sea of Japanese ambitions, to safeguard the rights of the local producers, and finally to reserve to the peoples of Indochina the consumption of certain products. The first experiment was tried out in

RESTRICTED

RESTRICTED

Certain ones were created especially to counteract Japanese demands, such as the Resin Company of Haut-Douai, founded in 1942, and the Agency for Hides and Skins in 1944.

Other measures consisted of imposing or reinforcing restrictive regulations. They dealt with extremely diverse products. An economic section was established with the General Commissariat for Franco-Japanese Relations in order to study the best way to counteract the numerous Japanese demands, presented generally without any consideration for the local resources and needs. The most important claims relating to woods, oil substances, and the manufacture of butanol, were the object of treaties the terms of which removed many of the original demands.

Various agreements concluded in 1943 and 1944 applied to forestry concessions, to the relinquishment of seeds of the castor oil plant, to the placing under cultivation of lands for jute and cotton, to deliveries of cement or to railway transportation. It was invariably a question of preserving Indochinese capital from thoughtless exploitation, principally forests and cattle, and of assuring at the same time the satisfaction of the priority needs of the Indochinese peoples. It is thus that the administration opposed in 1944 the setting up of a Japanese fishery on the island of Phu-quoc, as well as a demand for 7,750 hectares of land cleared for the cultivation of cotton. In each case, very strict conditions attended the concessions made to the Japanese.

In a general manner the administration strove to safeguard French positions, and to assure the defense of the interests and needs of the peoples of Indochina. Certain restrictive regulations provoked recrimina-

RESTRICTED

RESTRICTED

tions on the part of our nationals, to whom they appeared only as manifestations of a desire to annoy. It was difficult, then, to prove good grounds. They were in reality only defense reactions to hold in check foreign encroachments and to protect the community. In another respect, a constant effort was made by the economic services to obtain in the annual agreements substantial increases in the price of rice. Several ameliorations were obtained which only imperfectly answered the legitimate prayers of the producers. But one should not forget that the plan ventured forth under unequal conditions, and that the essential thing was, each time, to safeguard the very principal of sovereignty.

It is necessary to recall also that the Japanese army and navy exercised a pressure distinct from that of the Mission. The seizure by the Japanese military of considerable stocks of supplies at Haiphong destined for China, had allowed them to make important profits, the same as on prizes of war taken in conquered territory. One part of the supplies had been disposed of in southern China, and the other sold in Indochina, outside of official contro, with the complicity of Annamite and Chinese firms. This was the origin of the black market, fed since constantly by Japanese firms.

These occult maneuvers, against which it was difficult to take effective measures, soon contributed toward maintaining unbalanced prices and favoring illicit speculations. The confused policy of payments applied by the Japanese army and navy succeeded in disorganizing the markets in the interior. There resulted from it a restlessness among all classes of the population, the deep origin of which is to be found in the economic disorder created by the invaders in spite of the

RESTRICTED

RESTRICTED

constant struggle conducted against its actions by the French authorities. The entire economic and political evolution of Indochina during the 1941-45 period can only be defined, in its complexity, as working in the presence of an army of occupation and foreign organizations.

Since the armistice, the attitude of the Anglo-Saxon countries with regard to Indochina had been very reserved. This negative position, devoid of foresight in many respects, was to have particularly serious consequences. In an economic way, it was made evident by embargos on exports to Indochina and, in February 1941, by the freezing of funds of the Bank of Indochina in the United States. These measures paralyzed American and western imports into Indochina, and the control which England exercised over the navigation of merchant shipping succeeded in removing from the colony the ordering of its means of transportation.

Negotiations inspired by policy had been engaged in between Vichy and Tokyo. But since the beginning of 1941, it was evident that Indochina had no other outlet for its surplus products than the Japanese market or that of territories controlled by Japan. The agreements of May 6, 1941, struck a heavy blow at its economic independence. However, the principal of free trade had not yet been completely excluded since exports of rubber, payable in dollars, still allowed us up to December 1941, to obtain supplies from the United States.

Japanese enterprise only took serious shape after the attack on Pearl Harbor. But there again, certain clauses in the agreements left us means to act, the efficacy of which revealed themselves as much more real than one would have at first anticipated. For four years the

RESTRICTED

RESTRICTED

Japanese Mission, invoking imperative military necessities, did not cease to bring pressure on Indochina to obtain the furnishing of products not provided for in the agreements, to set up new enterprises, or to increase the percentage of the quota allowed to Japanese firms. The offices of the General Government yielded ground only foot by foot, held firmly France's position on capital points, and in a general way thwarted the Japanese efforts by regulatory orders the execution of which remained in our hands.

The demands for agricultural concessions had been fought with success, thanks to the economic agreements. On the other hand, the Japanese navy proved uncompromising in its demands for the furnishing of wood for the construction of its ships. It exceeded the extensive authorizations for cutting which measured in 1943 over 300,000 cubic meters. These concessions had only been obtained after interminable bargaining, and the difficulties of manual labor and transport stood in the way, finally, of the execution of a program which gravely threatened the exploitable capital of the forests in Indochina. In the realm of industrial activity, the Japanese could only concern themselves practically with some ricemills in Cholon, the cement factories of Haiphong and the phosphate mines of Tonkin. The advantages which they ended by obtaining in spite of the strong opposition of the French authorities, had rapidly been decreased by allied bombardments and the interruption of their sea transportation.

On the whole, the Tokyo agreements allowed us to avert a serious crisis, the outcome of selling surplus products at a loss. The terms of the treaty for the establishing of Japanese citizens and joint enterprises had remained practically ineffectual. The financial clauses of the agreements avoided, as we are going to see, the absorption of the piaster by the yen. The French administration, attacked by clandestine maneuvers and

RESTRICTED

RESTRICTED

continual demands, succeeded in maintaining, nevertheless, strong positions. Up to March 9, 1945, Japanese action had been limited in extent as in depth, and had in fact neither jeopardized the existence of French enterprises nor injured the potential economy of the country.

THE FINANCIAL STRUGGLE

The Tokyo negotiations which resulted in the agreements of May 6, 1941, had raised the important question of the method of regulating trade. It seemed evident from that time on that Indochina would be exporting to Japan much more than it would be importing, in quantity as well as in value, which would establish a trade balance in favor of Indochina. It was a question, then, of knowing in which currency these differences would eventually be adjusted.

The French negotiators obtained a method of regulation which would have been satisfactory in case Japan had remained out of the war. It was settled by articles 20 and 26 of "the agreement relative to the customs, trade, and their regulatory clauses, between Indochina and Japan." These articles may be summarized in the following manner:

1. Exports from Indochina to Japan were to be settled for in yens, paid in an account kept in Tokyo.
2. Imports into Indochina of Japanese supplies were to be paid for in Indochinese piasters, in an account kept at Saigon.
3. The amounts placed in the accounts in Tokyo and Saigon were to be balanced each month, and the surplus would be reimbursable in gold or in currency convertible into gold. In practice, Indochina was always creditor.

This agreement was abided by for more than a year, exactly until June 1942, the date of the appearance of the "special yen." Japan,

RESTRICTED

RESTRICTED

embarked on the Pacific war and become master of important territories, aimed at exercising strict control over all international commerce in the Co-Prosperity Sphere. Japanese financiers created, copying the reichmark, the special yen, money of account, centralized in Tokyo, and in which were to be expressed the value of all the commercial and financial transactions among the countries of Eastern Asia. It was thus that a purchase of rice by a Siamese negotiator from an Annamite ricegrower was not accounted for by a payment in piasters or in ticals, but by a credit in special yens entered on the account of an Indochinese bank.

One of the objects of this reform was to make the yen fill the place formerly held by Anglo-American currency, with the fundamental difference that it was no longer a question of an open market, but of a market strictly controlled. Tokyo sought also to substitute itself as the financial capital in Asia, instead of London or New York. In that which concerned Indochina, the question of the special yen was treated outside the General Government. The agreement had been obtained December 30, 1942, in Vichy by an exchange of letters between Pierre Laval and Ambassador Mitani. The Bank of Indochina, the interested principal in the matter, had only been told of it by a telegram from its Paris office.

With the adoption of the special yen, there was abandoned the sound policy maintained by the Tokyo agreements. These latter had reserved the principal of payment, more or less deferred, of the creditor balance in gold or in a currency exchangeable for gold. One consequence of the new agreement was to block entirely trade which Indochina had succeeded in maintaining with neighboring countries: Siam and China. By a system of exchanges called balances, Indochina sought to circumvent the difficulty. It succeeded in obtaining on terms of its internal markets, foreign

RESTRICTED

RESTRICTED

products in exchange for surplus Indochinese materials. These transactions dealt with metallic, textile and chemical products as well as with paper. But the tonnages acquired remained still out of proportion to our needs. It is thus that, from January 1 to June 30, 1942, Indochina could only receive 5,400 tons from Siam and 1,400 tons from Fort-Bayard.

The system of the special yen functioned, besides, very quickly in a unique way. If it was, in fact, easy to obtain special yens with the help of piasters or Central Reserve Bank of Shanghai dollars, Japanese control objected to the reverse operation. The result of this was that mechanism had almost entirely been blocked since the end of 1943, a situation realized during 1944 when trade between Japanese-occupied countries became virtually cut off.

But what concerned Indochina was that assets in special yens, obligatorily deposited in the Yokohama Specie Bank designated by the Japanese government, tended to accumulate indefinitely. Their increase resulted from the credit situation of our trade balance, but also from regulations made in favor of Japanese occupation troops, monetary punctures which, after having been restrained in 1943, increased sharply in 1944.

The counterpart in piasters to Indochinese assets in yens had been assured by Indochina since 1941. However, although the clause about conversion into gold of these assets had been lost from sight since the end of 1942, the financial agreements which followed expressly reserved them. This statement presents a certain importance for the determination of the value of the reserves of paper currency of the piaster.

RESTRICTED

RESTRICTED

This currency which amounted at the end of 1939 to 180 million piasters, had reached by the end of 1940, 270 million, then in 1941, 340 million, and by the end of 1942 went up to 500 million. This constant rise had several reasons. The principal one was the presence since the end of July, 1941, of an army of occupation whose expenditures had amounted at first to 8 million a month. Another cause contributed to the rise in the cost of living, resulting from the scarcity of imported products. Finally, the administration revealed a certain tendency towards extravagance in executing a program of great public works such as highways and dams, the construction of which in time of war could only be defended by the necessity of proving at all costs the continuance of our sovereignty.

The inflation continued in 1943 and 1944. By the thirteenth of June, 1943, it reached 600 million, and by the end of the year rose to 740 million. June 30, 1944, it amounted to 1,014 million, and December 30 found it raised to 1,344 million. Thus during the single year 1944 it had increased by 600 million.

The General Government strove to check this debasement of the currency. It stopped all new public works and entered into a vigorous struggle against the black market, laying stress on the special procedure which had instituted the law of March 14, 1942. These measures abated a little the accumulation of banknotes, but the black market was for a large part in the hands of the Japanese, and the demands of the Japanese army became greater and greater.

After many tergiversations and discussions there had been paid out in 1942 and 1943, about 8 million piasters a month. But during the first half year of 1944, payments amounted to 20 million, then

RESTRICTED

RESTRICTED

during the second half year to 40 million, a month. At the beginning of 1945, the Japanese called for 100 million a month. This amount had been refused then and they received only 30 million.

On the ninth of March, 1945, the total amount of payments made since the beginning to the Japanese army came to 730 million piasters. From that date to August, becoming masters of the circulation, they withdrew 780 million, of which more than 250 million were withdrawn in August 1945, after the demand for an armistice.

In spite of this wild inflation, the position of the Indochinese piaster had stayed comparatively secure, in contrast to the position of the Bangkok and Shanghai currencies. In fact the paper currency represented on September 30, 1945, about eight times that of the end of 1940, whereas the Siamese tical currency had been multiplied by seventeen. As for the circulation of Central Reserve Bank dollars, the currency of central China, under Japanese control it had reached the fabulous figure of 1 trillion, 99 billion, or 19 thousand (sic) times an initial fund of 100 million CRB dollars corresponding to 100 million yens which themselves represented practically nothing.

INDOCHINA LEFT TO ITS OWN MEANS

It has been seen how the insolvency of Japanese imports had led to an attempt to establish commercial relations with the neighboring countries of Siam, Port-Bayard and China. It was in the same spirit that there had been developed or established local substitute industries. A considerable effort had accomplished this design and allowed us to avert the serious social complications which were risked by aggravating the stripping of Indochina of products indispensable to current life.

RESTRICTED

RESTRICTED

The problem of hydrocarbon was partially settled by restricting road traffic, the utilization of gazogene manufactured locally, the production of alcohol motor fuel out of rice, and finally by the use of a mixture of fishoil, copra and earthnuts instead of heavy oil. These measures involved the development of the culture of oil yielding crops, of which the cultivated areas rose from 17,500 hectares in 1939 to 68,000 in 1944.

The problem of textiles was, of all, the most distressing. Before the war Indochina produced only some hundreds of tons of cotton and silk. The average of its imports was 20,000 tons of cotton goods and 2,000 of silk, without counting woolens and hosiery. The extent of area cultivated of cotton increased from 7,000 hectares in 1939 to 52,000 in 1944. That of jute rose from 600 to 1700 hectares. The complementary tonnages, although weak enough, had been obtained by using fibres of capoc, pineapple, banana or latakia plants.

A similar effort was successful in the manufacture of tires, in spite of the shortage of linen cloth the production of paper and cardboard, and of carbonate of soda necessary in the manufacturing of soap. It is just, finally, to mention particularly the considerable activity which was shown in the institutions of scientific research for the manufacture of chemical and pharmaceutical products necessary to hospitals and industries entirely new in Indochina, which called forth, on the part of certain technicians, an effort which did honor to their skill as much as to their feeling for the public welfare.

The events of the Pacific war ended in creating a general shortage of goods necessary to the life of the Federation. The controlling agencies for the distribution and utilization of essential products

RESTRICTED

RESTRICTED

permitted us to adapt Indochinese economy to conditions in a state of war. The problem of railway and maritime transportation reached very quickly a critical point through its repercussions on the food situation in Tonkin. It is known that that country each year receives considerable quantities of rice from Cochinchina, for which it relies on only one route, a railway of 1,600 kilometers and by sea. But aerial attacks took place most frequently on the railway line, which finally achieved the breaking up of the railway even to making it nearly unusable. The wear and tear on rolling stock, reaching the end of its breath, and the destruction of the workshops for repairing it, had rendered precarious the use of these communications. The average monthly traffic by railway between the north and the south hardly came to exceed 2,000 tons.

The closing of the port of Haiphong, the destruction by bombardment of the port installations of Tourane, and finally the submarine war succeeded in disorganizing sea communications. At the end of 1944 only five ships grossing 3,500 tons remained in service, out of sixteen units grossing 14,000 tons, which engaged in the coastal trade along the coast of Annam. Traffic, at first plying the Saigon-Tourane route, had been progressively reduced to Saigon-Quinhon, then Saigon-Nhatrang.

In order to supply it, shipments by junks had been organized in 1944. A decree placed under the control of the merchant marine and the economic services all the junks of more than twenty tons. At the beginning of 1945, the coordination of transports utilized 15,000 tons of junks, which allowed us to make a small contribution to the solution of the Tonkin food problem where, because of the war, famine had become menacing. In 1944, the amount of rice transported from Saigon to the north by these haphazard means reached only 4,730 tons, against 185,620

RESTRICTED

RESTRICTED

tons carried in 1941 by a normal coast trade. The complete disorganization of Indochinese transportation by Japanese occupation, and allied torpedoings and bombings, and ended by creating a miserable situation. These facts suffice to dispel the calumnious assertion spread among the Indochinese population by Japanese propaganda, according to which France had starved Tonkin.

By the end of 1944 all the foreign trade of Indochina had been stopped, even to Japan. From this fact, the Tokyo agreements which had had for their aim the averting of a slump in grains, had become void. An agreement had been reached with the Japanese Mission at the beginning of 1945 for the theoretical export of 550,000 tons of rice, but great quantities remained to be disposed of, and we had to fear a debasing of the currency for the crop of 1944-45, estimated at 2,700,000 tons of paddy rice. A serious problem was posed, which called for an immediate solution.

Local needs could absorb 1,600,000 tons. There remained then a surplus of 1,100,000 tons. About a third of the crop came from small growers having neither warehouses for storing it nor unlimited financial resources, who found themselves under the necessity of selling their produce without delay. The remainder was in the hands of large proprietors who customarily carried their transactions over to the start of the second half of the year.

In order to meet this situation, the General Government had constructed in the interior of Cochin-China storehouses for the storing of 350,000 tons. It made use besides of warehouses in Cholon which could hold 200,000 tons of paddy rice. The Committee of Grains had received instructions to make purchases in the rice-producing provinces, in order to keep the market price at a remunerative level, account being

RESTRICTED

RESTRICTED

taken of their capabilities for storage. But it was evident that its resources would not permit it to absorb the part of the crop remaining in the hands of the great proprietors. All that could be foreseen was to hold up the supplies in the stores, with payment of an advance for purchases on account.

As for rubber, the situation was less serious, although exports had been entirely stopped since the end of 1943. The mother country had, besides, chosen to buy all the production of Indochina in order to build up a national stock pile to be kept for postwar French industry. Private buyers had been authorized, besides, to build up stocks under certain conditions. On December 31, 1944, the stock of rubber reached 161,000 tons, of which 118,000 tons made a part of the national stock, 24,000 tons were held by private firms, and 19,000 remained to be disposed of on the plantations. The amounts not sold were to be acquired for the benefit of the mother country, which brought the national stock to 137,000 tons. In other areas, French firms had accumulated in 1944 important stocks of black tea and divers products such as pepper and capoe, leading towards a surplus for postwar transactions.

In 1946 the French government had made a gift to Indochina of the profit from the sale of the national stock of rubber, in order to facilitate the reconstruction of this country after excesses of all sorts committed by the Viet-Minh. Finally, it may be estimated that the Indochinese economy, which remained healthy on the whole, had been summoned to play an important role in the postwar trade, if ruin had not been spread in a few months throughout the whole country by the blind destructions of the rebels, finishing thus the negative work of the Japanese.

RESTRICTED

RESTRICTED**CONCLUSION**

It remained for Indochina to undergo one final test, the after effect of the deep confusion into which the Japanese occupation, the aggression of March 9, 1945, and the maneuvers of foreign powers had plunged this country. We had believed that we should leave out of our study an investigation of this crisis without precedent in the history of a federation of peoples, founded by France and which is on the point of breaking up in favor of disorder created by Japan. An objective analysis of these events is no longer possible. The Viet-Minh is a movement too complex in its origins and too confused in its manifestations, so that one can become involved in the subject among claims which touch, besides, on a burning actuality.

All that one can state is that, here again it is necessary to distrust simplifications. The Viet-Minh revealed itself at first as an artificial movement. But it built deep ramifications by psychological methods of action which found remarkable conditions of success due to the degree of evolution of the Annamite people. The groundwork had been prepared by the Japanese work of disintegration, but also by the economic situation of Indochina during the past years. The shortages of everything, principally of textiles, the disorganization of railway and sea communications, and the dividing up of the country into sectors separated by almost insurmountable difficulties of supply, created a favorable medium for the explosion of tendencies long suppressed. Equivocal or legitimate, certain things originating in remote times cracked the varnish which the Asian spirit had received from the West.

On the whole, Japanese work, deliberating carried out in Indochina for five years, showed itself in a systematic and profound disturbance

RESTRICTED

RESTRICTED

of the understanding which this country had with France for almost a century. A superficial observer could believe that French domination is maintained only by brute force. If this had been so, the weakness of our military forces would have rendered our authority powerless to combat movements which did not wait for the events following March 9 to manifest themselves. It is significant enough that the Annamites themselves have paid a heavy tribute to the violences of the Viet-Minh. The proclamation of independence by Japan did not provoke any part of the explosions of delirious enthusiasm which one would have expected from it at first. In truth, the Japanese did not employ much perseverance in their work of dissolution, because they knew on what a solid basis the moral position of France in Indochina rested.

Before these maneuvers, the tendency of which they discerned, French circles had it at heart to cut a good figure and to sustain an attitude of pride. They took cognizance of the role played by France on the borders the yellow world, and hung on with all their might to positions which they consider as indispensable to the grandeur and reestablishment of France. The effort they made has not yet been judged for its true worth. When it shall become known in its entirety, the world will be profoundly surprised at what a handful of Frenchmen could do to uphold the reputation of their country before the occupier, or to oppose themselves to his attacks, be they against the administration of the territory or in the economic, social, cultural, medicochirurgical, pharmaceutical or scientific fields.

This will to hold out, they clung to in spite of the inclemency of a climate which wore down their physical energy. One forgets too easily that Indochina, in spite of the sanitation that it has realized

RESTRICTED

RESTRICTED

from work on the swamps, the struggle against pernicious illnesses, and the development of hygienic services, still remains a country where the impoverishment of the blood slowly degenerates the vital forces of the individual. Let us muse on the effect of unbroken sojourns which exceeded, for the French in Indochina, six, eight, and sometimes ten years. In 1860 and in 1865, in the countryside of Cochinchina and Tonkin, dysentery, cholera and malaria had created an appalling percentage of fatalities. Conditions in the habitat are far from being the same, but continuous work cannot be kept up in the locale except to the detriment of the fund of health.

The French community in Indochina adhered stubbornly to defending the French patrimony in Asia against the desires of the stranger. Everyone resisted foot by foot the Japanese encroachments. From an internal point of view, the policy followed in Indochina during the five years of the war can be argued. We do not believe that it can be seriously questioned in the matter of the defense of the interests of France and the Federation against the acts of the Japanese. In particular, one must not undervalue the sacrifice of those who, fully conscious of the inequality of the struggle, gave their lives to seal in blood the rights of their country in that land in Asia. I call to witness here all those dead, those of the ninth of March and the following months, those who died on the mountain trails or in the Japanese prisons, those who died "pour l'honneur" firing their last shots in desperate battles.

The French of this country are grateful to General De Gaulle and to the government of Free France for having taken long since, in the face of foreign opinion, a firm position on the Indochinese question.

RESTRICTED

RESTRICTED

Agitated by an unspeakable emotion which only those can understand who have lived long far from their native land, the French welcomed with a joy bathed in tears the soldiers who arrived in this distant land to reestablish the prestige of a victorious flag.

The presence of the Chad regiment, of the colonial infantry regiment of Morocco, of the troops who fought at Bir-Hackem, in Normandy, in Italy, on the Rhine and on the Danube, reestablished between Indochina and France ties of a glorious tradition which distances had interrupted. The African epic was completed at the extremity of Asia. Indochina could no longer be separated from the destiny of the territories over which floats our flag. It is henceforth integrated in the same substance of the at last rediscovered grandeur of France.

RESTRICTED